

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LETCHER COUNTY WATER)	
AND SEWER DISTRICT, LETCHER COUNTY,)	
KENTUCKY, FOR (1) A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY AUTHORIZING)	
CONSTRUCTION OF MAJOR ADDITIONS AND)	
IMPROVEMENTS TO ITS WATER SYSTEM; (2))	CASE NO.
SEEKING APPROVAL OF PROPOSED WATER)	2002-00282
SERVICE RATES AND CHARGES; AND (3))	
SEEKING APPROVAL OF THE ISSUANCE OF)	
CERTAIN SECURITIES, PURSUANT TO THE)	
PROVISIONS OF KRS 278.023 AND 807 KAR 5:069)	

O R D E R

On July 23, 2002, Letcher County Water and Sewer District (Letcher District) submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and adjust rates for a \$3,969,000 water system expansion project. The total project is comprised of two phases, Phase 1 and Phase 2. Phase 1, Isom-Jeremiah Water Project, consists of the installation of approximately 6 miles of 8-inch water distribution lines and appurtenances commencing Northeast of Blackey at the Letcher County High School and running along Kentucky Highway 7 through the Jeremiah Community; then continuing along Kentucky Highway 7 to the Isom Community; and then continuing East along Kentucky Highway 15 in the Isom Community. Phase 2 consists of the construction of approximately 20 miles of 8-inch to 3-inch water distribution lines extending along the side roads that connect with Kentucky Highways 7 and 15, construction of a 250,000 gallon water storage tank, and the

construction of a booster pump station. Phase 1 will provide service to approximately 200 new customers. The applicant is seeking a Certificate of Public Convenience and Necessity for only Phase 1. Once favorable construction bids have been received for Phase 2 and the U.S. Department of Agriculture (USDA), Rural Development (RD) has issued its Letter of Concurrence in Bid Award for Phase 2, Letcher District will file an application with the Commission seeking a Certificate of Public Convenience and Necessity for Phase 2. Letcher District proposes to finance the construction of the project (Phase 1 and 2) through:

- The issuance of its Water Revenue Bonds in the amount of \$830,000 (the Series 2002 Bonds) to the United States of America, acting by and through USDA, RD.
- An RD grant in the amount of \$900,000.
- An Appalachian Regional Commission grant in the amount of \$300,000.
- A grant from the Department of Housing and Urban Development Community Development Block Grant Program (HUD-CDBG) in the amount of \$939,000.
- Coal severance tax funds allocated to Letcher County in the amount of \$1000,000.

Letcher District s application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the U.S. Department of Agriculture or the U.S. Department of Housing and Urban Development and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. Given that minimum filing

requirements were met in this case on July 23, 2002, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

IT IS THEREFORE ORDERED that:

1. Letcher District is granted a Certificate of Public Convenience and Necessity for the proposed construction of Phase 1 only of this project.

2. Letcher District's proposed plan of financing with USDARD is accepted.

3. Letcher District is authorized to issue bonds not to exceed \$830,000.

4. Letcher District shall file a copy of the as-built drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

5. Letcher District shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

6. Three years from the effective date of this Order, Letcher District shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the proposed water rates are sufficient to meet its operating expenses and annual debt service requirements.

7. Letcher District shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), Letcher District shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

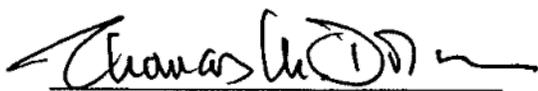
8. The rates set out in Appendix A, which is attached hereto and incorporated herein, are the rates approved for service rendered on and after the date of this Order.

9. Letcher District shall file a tariff with the Commission within 30 days of the date of this order.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 22nd day of August, 2002.

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2002-00282 DATED August 22, 2002

The following rates and charges are prescribed for the customers in the area served by Letcher County Water and Sewer District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

First	2,000 gallons	\$20.54	Minimum bill
All Over	2,000 gallons	4.75	per 1,000 gallons